Home Office

AUTHORITY: The Secretary of State for the Home Department

Volume 3

Schedule F – Payment Mechanism

Travel Services

ITT DOCUMENT LIST

Volume	Title
Volume 1	Instructions to Tenderers
	Appendix: Non-Collusion Certificate & Bid Forms
Volume 2	Evaluation Criteria
Main Contract	Services Agreement
Schedules to Volume 3	SCHEDULE A Insurance
	SCHEDULE B Mobilisation & Permit to Operate
	SCHEDULE C Interim State
	SCHEDULE D Service Specification Part 1: Service Specification Part 2: Service Provider's Response
	SCHEDULE E Form of Parent Company Guarantee
	SCHEDULE F Payment Mechanism
	SCHEDULE G Performance Evaluation & Service Unavailability
	SCHEDULE H Innovation and Partnering Agreement
	SCHEDULE I Commercially Sensitive Information
	SCHEDULE J Dispute Resolution Procedure
	SCHEDULE K Permitted Sub-contractors and Sub-contracts
	SCHEDULE L Change Control Procedures
	SCHEDULE M Named Representatives
	SCHEDULE N Demobilisation
	SCHEDULE O Service Improvement
	SCHEDULE P Financial Distress
	SCHEDULE Q Financial Reports & Audit Rights
	SCHEDULE R IT Systems Requirement Part 1: IT Systems Requirement Part 2: IT Service Management Requirements & applicable annexes Part 3: Service Provider's Response
	SCHEDULE S Contract Management
Volume 4	Data Room

CONTENTS

1. INTRODUCTION
2. APPLICABLE PRICING MECHANISM
3. FIRM PRICE MILESTONE PAYMENTS
4. MILESTONE PAYMENTS
5. FIXED PRICE SERVICE CHARGES
6. SERVICE CHARGES
7. SERVICE CREDITS
8. CHANGES TO CHARGES
9. INDEXATION
10. CALCULATION OF PAYMENTS
11. DAILY SERVICE PAYMENT
12. CALCULATION OF TICKET REFUNDS
13. CALCULATION OF PASS THROUGH COSTS – SCHEDULES FLIGHTS
14. CALCULATION OF PASS THROUGH COSTS – CHARTER FLIGHTS
15. THE MONTHLY SERVICE PAYMENT (MSP)
16. CALCULATION OF THE MONTHLY SERVICE CHARGE
17. CALCULATION OF SERVICE IMPROVEMENT PAYMENTS
18. CALCULATION OF GAIN SHARE PAYMENTS
19. CALCULATION OF CARRIER COMMISSIONS
20. CALCULATION OF COMPENSATION EVENTS
21. BOOKING EVENT VOLUMES
22. UNAVAILABILITY DEDUCTION
23. APPLICATION OF UNAVAILABILITY SERVICE CREDITS
24. PAYMENTS AT TERMINATION
25. SERVICE PROVIDER INVOICES

Definitions and abbreviations

The following is a list of the key definitions and abbreviations used throughout this Schedule.

Term	Definition
Alternative Service Delivery Methods	means alternative ways of the delivering the Services defined within the contingency planning process and applicable instances of Unavailability.
Annual Service Charge or ASC	means the sum in pounds sterling payable in respect of the Services as calculated in the Financial Pricing Model.
Additional Booking Event Price (ABEP)	As defined in paragraph 21 of this Schedule F (Payment Mechanism).
Best Value Process	Means the process described in Appendix C of Schedule D (*Service Specification*) relating to the purchasing of tickets on a best value basis.
Booking Event	This is booking activity undertaken by the Service Provider as defined in paragraph 21 of this Schedule F (*Payment Mechanism*).
Carrier Commissions	means commissions received by the Service Provider in respect of flights and or any other services purchased on behalf of the Authority. This shall also include any other commissions received in respect of procuring services on behalf of the Authority such as accommodation.
Charges	the charges for the provision of the Services as set out in or otherwise calculated in accordance with Schedule F (*Payment Mechanism*), including any Milestone Payment or Service Charge.
Compensation Events	Those events, as defined in Clause 24 (*Compensation Events*) which may lead to a Compensation Payment to the Authority.
Contract Month	means any month in a Contract Year provided that: a) the first Contract Month shall commence on the date upon which the Commencement of Full Operations fall and ends on the last day of the month in which the Commencement of Full Operations falls; and b) b) the last Contract Month shall begin on the first day of the month in which the last day of the Contract Term occurs and end on the last day of the Contract Term.
Contract Year	means a period of twelve (12) months commencing on 1 November, provided that: a) the first Contract Year shall be the period commencing from the Commencement of Full Operations and ending on the immediately following 31 October; and b) the final Contract Year shall be the period commencing on 1 November immediately preceding the last day of the Contract Term and ending on that day.
Consumer Price Index (CPI)	means the "Consumer Price Index" as published by the Office for National Statistics. For the avoidance of doubt, if CPI is rebased during the Contract Term, it shall nevertheless be determined for the purposes hereof as if no such rebasing had occurred.
CPP	Contract Performance Point.
Critical Service Failure	This is a failure of a critical nature as defined in Schedule G (*Performance Evaluation and Service Unavailability*).

Daily Report	means the report of the same name specified with Schedule D (*Service Specification*) Part 1.
Firm Price	Means Firm Price Charges, which shall not vary based on the level of costs incurred by the Service Provider and shall not be subject to Indexation.
Fixed Price	means Fixed Price Charges, which shall not vary based on the level of costs incurred by the Supplier, but shall be subject to increase by way of Indexation.
Indexation Base Month	Is the month three months prior to the commencement of full operations date
Indexation Review Date	Shall be the anniversary of the Commencement of Full Operations Date and on each anniversary of this date thereafter.
Logged Failure Time	means the time at which the Unavailability or Service Failure (as the case may be) was notified to the Help Desk in accordance with section 6.
Logged Rectification Time	means the time at which the temporary or permanent remedy of any Unavailability or Service Failure was notified to the Help Desk in accordance section 6.
Management Information	means information requested in this Schedule F or under the regular reporting provisions set out in Schedule D (*Service Specification*).
Maximum Profit Margin	As calculated in the Financial Pricing Model and specified in Table 1 of Annex A to this schedule.
Milestone	an event or task described which shall be completed by the relevant Milestone Date.
Milestone Achievement Certificate	the certificate to be granted by the Authority when the Service Provider has Achieved a Milestone, which shall be in substantially the same form as that set out in Annex C of this Schedule F (*Payment Mechanism*).
Milestone Payment	the price of the milestone less any Milestone Retention.
Milestone Retention	Amounts to 10% of the Milestone price and is retained for a period of six months from the Payment Milestone Event Date until the Contract Performance Point.
Monthly Service Charge or MSC	means the monthly amount payable in respect of the Annual Service Charge to the Service Provider, calculated on a pro rata basis.
Monthly Service Payment or MSP	means the amount payable to the Service Provider in accordance with the provisions of this schedule.
Open Book Data	complete and accurate financial and non-financial information which is sufficient to enable the Authority to verify the Charges already paid or payable and Charges forecast to be paid over the duration of the contract
Pass-through costs	costs incurred by the Service Provider and reimbursed by the Authority at cost including, inter alia, scheduled tickets, ticket refunds, charter flights and licenses. For the avoidance of doubt, the Service Provider's profit margin shall not be added to Pass-through costs.
Payment Milestone	a Milestone, the achievement of which gives rise to an application for a milestone payment.
Payment Milestone Event Date	the date any payment milestone is set to be achieved.
Permanent Rectification	means rectification measures taken by the Service Provider under Clause 29 (*Rectification*) to remedy

	incidents of Unavailability, such that, following rectification, the Services are no longer Unavailable and full functionality has been restored.
Permanent Rectification Period	means a period of 4 hours from the Logged Failure Time.
Service Charge	the periodic payments made in accordance with this schedule and in respect of the supply of the operational Services.
Commencement of Full Operations Date	the date that the Service Provider starts to fully provide the operational Services specified in Schedule D (*Service Specification*).The date the permit is issued.
Service Charge Commencement Trigger Event	the trigger event specified in Table 2 of Annex 2 to Schedule F (Payment Mechanisms), upon achievement of which the Service Provider is agreed to be fully providing the Services specified in Schedule D (*Service Specification*).
Service Charge Expiry Date	the date that the Service Provider stops fully providing a Service specified in Schedule D (*Service Specification*).
Service Charge Expiry Event	the event that triggers the cessation of a Service Charge.
Service Charge Payment	a payment made in accordance with paragraph 16 of this schedule.
Service Charge Reference	Unique reference provided by the Service Provider Service Provider for each Service Charge. (NB: The Authority recommends this reference should be consistent with Service Provider Service Provider internal reporting).
Service Charge Trigger Event	the event that triggers the commencement of a Service Charge.
Service Credit	Being a reduction of the Service Charges payable in respect of the relevant Services to reflect the reduced value of the Services actually received and valued in accordance with the provisions of Schedule G (*Performance Evaluation and Service Unavailability*).
Service Credit Cap	is as defined in paragraph 7 of this schedule.
Service Failures	Failure to deliver the contracted level of services in respect of the KPIs in Schedule G (*Performance Evaluation and Service Unavailability*).
Service Period	a calendar month, save that: (a) the first service period shall begin on the Commencement Date and shall expire at the end of the calendar month in which the Commencement Date falls; and (b) the final service period shall commence on the first day of the calendar month in which the Term expires or terminates and shall end on the expiry or termination of the Term.
Settling Payment	means a single sum payable by the Service Provider to the Authority in respect of outstanding refunds, commissions or other amounts owed at the expiry of the Contract Term or date of earlier termination.
Temporary Rectification	means Alternative Service Delivery methods or other approved rectification measures taken by the Service Provider to ensure that Services affected by the Unavailability can continue to be offered via Alternative Service Delivery methods.
Temporary Rectification Period	means a period of 1 hour applicable from the relevant

	Logged Failure Time.
Transaction	The movement carried out between the Authority and the Service Provider Service Provider to exchange an asset for payment
Unavailable or Unavailability	means that the Services are not available for use during the specified Operational Hours, or is otherwise deemed Unavailable by the Authority's Representative or Contract Administrator. This shall include but not be limited to: Occasions where connection between the Authorities information hub and the service providers system is not available; the Help Desk is not accessible or operational; the system providing access to flight and carrier information is not accessible or operational.

Table 01 - Definitions & Abbreviations

1 INTRODUCTION

1.1 This Schedule F (*Payment Mechanism*) provides an overview of the pricing and charging mechanisms and sets out the procedures underpinning the payment process.

2 APPLICABLE PRICING MECHANISM

2.1 Milestone Payments and Service Charges shall be calculated using the pricing mechanism specified in Annex B and on the basis of the rates and prices specified in Annex A or as more particularly set out in this Schedule.

2.2 Table 1 of Annex B sets out the pricing mechanism to be used to calculate the price for each Milestone, which shall be Firm Price only. In which case the provisions of paragraph 3 shall apply.

2.3 Table 2 of Annex B sets out the pricing mechanism to be used to calculate the price of each service charge, which shall be fixed price only. In which case the provisions of paragraph 5 shall apply.

3 FIRM PRICE MILESTONE PAYMENTS

3.1 Table 1 of Annex B sets out the pricing and payment details for each Milestone charge under this agreement.

3.2 The Service Charges specified in Table 1 of Annex B shall be payable upon the dates specified in Table 1 of Annex B and in accordance with this paragraph 3 and paragraph 4.

3.3 The parties acknowledge that should the actual Service Provider profit margin exceed the maximum Service Provider profit margin set out in Table 1 of Annex A, such profit will be shared with the Authority via the contract service improvement payment (Mob) mechanism in accordance with the provisions of Schedule O (*Service Improvement*).

3.4 Firm prices shall not vary based on the level of costs incurred by the supplier. The Service Provider accepts the risk of cost overruns and the benefit of any savings achieved, subject where applicable to the contract service improvement (Mob) provisions.

3.5 Firm prices shall not be amended other than through the provisions of Schedule L (*Change Control Procedures*).

3.6 Service Charges calculated by reference to a firm price pricing mechanism shall not be subject to increase by way of indexation.

4 MILESTONE PAYMENTS

4.1 On the achievement of a Milestone and provided that the provisions of Schedule B (*Mobilisation and Permit to Operate*) have been satisfied, the Service Provider shall be entitled to invoice the Authority for the Milestone Payment associated with that Milestone, less the applicable Milestone Retention.

4.2 Each invoice relating to a Milestone Payment shall be supported by a Milestone Achievement Certificate (Annex D).

4.3 The Milestone Retention for each Milestone shall be calculated as 10% of the price for that Milestone, which will be retained for 6 months from the Milestone

Achievement Certificate signature date of the final IT or Transition milestone. For the avoidance of doubt, this Paragraph 4.3 relates only to IT or Transition Milestones.

4.4 Milestones arising during the Service Period are subject to Schedule L (*Change Control Procedures*). The Milestone Retention associated with such Milestones shall be calculated as 10% of the price of each milestone, which will be retained for 6 months from the Milestone Achievement Certificate signature date for each milestone.

4.5 Upon completion of the 6 month retention period noted in paragraph 4.3 and paragraph 4.4 and providing that the Authority has confirmed in writing that all works associated with that Milestone have been completed to its satisfaction, the Service Provider Service Provider shall be entitled to invoice the Authority for the Milestone Retention amount.

5 FIXED PRICE SERVICE CHARGES

5.1 Table 2 of Annex B sets out the pricing and payment details for each Service Charge under this Contract.

5.2 The charges specified in Table 2 of Annex B shall be payable upon the dates specified in Table 2 of Annex B and in accordance with this paragraph 5 and paragraphs 6 and 7.

5.3 The parties acknowledge that should the actual Service Provider Service Provider profit margin exceed the maximum Service Provider Service Provider profit margin set out in Table 1 of Annex A, such profit will be shared with the Authority via the contract service improvement payment mechanism set out in Schedule O (*Service Improvement*).

5.4 Fixed Prices shall not vary based on the level of costs incurred by the Supplier. The Service Provider Service Provider accepts the risk of cost overruns and the benefit of any savings achieved, subject where applicable to the contract service improvement payment provisions.

5.5 Clause 5.6 notwithstanding, the Fixed Price charges shall not be amended other than through the provisions of Schedule L (*Change Control Procedures*).

5.6 Charges calculated by reference to a Fixed Price pricing mechanism shall be subject to increase by way of indexation.

6 SERVICE CHARGES

6.1 Each Service to which a Service Charge relates shall commence on the achievement of the 'Service Charge Trigger Event' set out against that Service in the 'Service Charge Trigger Event' column of Table 2 of Annex B.

6.2 If a Service:

6.2.1 commences on a day other than the first day of a month; and/or

6.2.2 ends on a day other than the last day of a month, the Service Charge for the relevant Service Period shall be pro-rated based on the proportion which the number of days in the month for which the Service is provided bears to the total number of days in that month.

6.3 Any Service Credits that accrue during a Service Period shall be deducted from the Service Charges payable for the subsequent Service Period. An invoice for a

Service Charge shall not be payable by the Authority unless all adjustments (including Service Credits) relating to the Service Charges for the immediately preceding Service Period have been agreed.

6.4 Service Charges shall be invoiced by the Service Provider Service Provider for each Service Period in arrears and in accordance with the requirements of paragraphs 25 and 26 of this schedule.

7 SERVICE CREDITS

7.1 Service Credits are a reduction of the Service Charges payable in respect of the relevant Services to reflect the reduced value of the Services actually received.

7.2 Service Credits shall be applied by the Authority to the Monthly Service Payment in respect of:

7.2.1 Service Failures accrued in any one Service Period pursuant to the provisions of Schedule G (*Performance Evaluation and Service Unavailability*); and

7.2.2 Unavailability as set out in Schedule G (*Performance Evaluation and Service Unavailability*).

7.3 For each service period:

7.3.1 The aggregate Service Credit value to be deducted in respect of Service Failures is calculated by reference to the values assigned to Service Failures as set out in paragraph 6 of Part 1 of Schedule G (*Performance Evaluation and Service Unavailability*);

7.3.2 The Unavailability Service Credit to be deducted is calculated in accordance with paragraph 6 of Part 2 of Schedule G (*Performance Evaluation and Service Unavailability*);

7.3.3 The maximum aggregate of all Service Credits redeemable in respect of Service Failures from any one Contract Month's Monthly Service Payment is equivalent to 10% of the applicable Monthly Service Charge. For the avoidance of doubt, there shall be no limitation of Service Credits payable in respect of Unavailability; and

7.3.4 Pursuant to the provisions of Schedule G (*Performance Evaluation and Service Unavailability*) Critical Service Failures are not included within the Service Credit Cap.

7.4 The operation of the Service Credit Cap referenced in paragraph 7.3.3 shall not affect the continued accrual of Service credits in excess of such financial limits in accordance with the provisions of Schedule G (*Performance Levels and Service Unavailability*).

7.5 In accordance with the provisions of Schedule G (*Performance Evaluation and Service Unavailability),* the Service Provider shall be liable for Service Failures which arise as a result of joint working.

Accrual Of Service Credits During First Three performance months

7.6 With respect to the first three months of performance by the Service Provider following the Commencement of Full Operations Date, the first [redacted] of Service Credits incurred by the Service Provider in those months shall not be taken into account when calculating the Aggregate Monthly Service Credit Sum for that period. Instead the value of all Service Credits incurred in each month in excess of the first [redacted] shall (subject to Clause 7.3.3 above) be taken into account.

8 CHANGES TO CHARGES

8.1 Any changes to the Charges shall be developed except where such failure is as a direct result of the Authority's action and agreed by the parties in accordance with Schedule L (*Change Control Procedures*) and on the basis that the Service Provider Service Provider profit margin on such Charges shall:

8.1.1 in no event exceed the Maximum Profit Margin set out in Table 1 of Annex A to this Schedule; and

8.1.2 be no greater than that applying to Charges using the same pricing mechanism as set out in Annex 2 to this Schedule.

8.2 The Authority may request that any cost Impact Assessment given in the Service Provider Change Request Form A presents Charges without Indexation for the purposes of comparison, and at the current indexed price. Both prices shall be clearly identified where requested in accordance with Schedule L (*Change Control Procedures*).

9 INDEXATION

9.1 For the purposes of this Agreement and where Indexation applies, indexation shall be in line with the Consumer Price Index (CPI) and in accordance with the Indexation adjustment set out in paragraph 9.3 below.

9.2 Indexation shall be applied on the first anniversary of the Commencement Date and on each anniversary of this date thereafter.

9.3 The applicable Indexation adjustment shall be measured by changes in the relevant published index for that Contract Year. The amount or sum at a point in time will then be adjusted by application of the following formula:

$$IE_i = (IE_u \times CPI_n/CPI_{base})$$

Where:

IE_i	is the indexed amount for the relevant contract year;
IE_u	is the unindexed amount for the relevant contract year; This shall be the amount with the effect of all previous indexations removed.
CPI_n	is the value of the published index for the month three months prior to the date at which indexation is being applied; and
CPI_{base}	is the value of the published index for the month three months prior to the date of contract commencement.

9.4 For the purposes of this paragraph 9, any Changes implemented In accordance with the provisions of Schedule L (Change Control Procedures) and noted in the Notice of Change as being 'subject to indexation', shall have the effect of indexation removed for the period from the Commencement Date to the date of the Contract Change. The Unindexed Price shall then be Indexed in accordance with the provisions of this paragraph 9.

9.5 In relation to paragraph 21.5 (Booking Events) to this Schedule F (*Pricing Mechanism*), any negotiation resulting in a revised baseline will be indexed in line with Paragraph 9.4 to this Schedule F (*Pricing Mechanism*).

9.6 In order to ascertain the Unindexed Price, the Service Provider shall use the same index as used to establish the indexed price.

9.7 All Charges shall be in accordance with the provisions of this Schedule F (*Pricing Mechanism*) and are to be based on unindexed prices as at the Commencement Date for financial reporting purposes, as set out in Schedule Q (*Financial Reports and Audit Rights*). Variations shall be based on unindexed prices as at the Commencement Date.

9.8 Except as set out in this Paragraph 9, neither the Charges nor any other costs, expenses, fees or charges shall be adjusted to take account of any inflation changes, changes to exchange rates, changes to interest rates or any other factor or element which might otherwise increase the cost to the Service Provider or sub-contractors in the performance of their obligations

10. CALCULATION OF PAYMENTS

10.1. Payment for the Services shall be made primarily on a daily and monthly basis. Additional Milestone Payments shall be made by the Authority in respect of mobilisation and IT development costs, when applicable.

10.2. Daily Service Payments (DSP) shall be payable in respect of the following:

10.2.1. Pass through costs (PTCS) relating to scheduled flights;

10.1.2. Ticket refunds (TR) relating to payments received by the Service Provider from the Carrier in respect of tickets purchased and cancelled by the Service Provider on the Authority's behalf; and

10.1.3. Pass through costs (PTCC) relating to Charter Flights.

10.3. Monthly Service Payments (MSP) shall be payable in respect of the following:

10.3.1. The Monthly Service Charge (MSC);

10.3.2. Service Credits (SC) arising from Service Failures as defined in Schedule G (*Performance Evaluation and Service Unavailability*);

10.3.3. Service Improvement Payments (SIP), being payments due in respect of Service Improvements implemented in accordance with the provisions of Schedule O (*Service Improvement*);

10.3.4. Gain Share Payments (GSP) resulting from the successful implementation of Service Innovations in accordance with the provisions of Schedule H (*Innovation and Partnering Agreement*).

10.3.5. Carrier Commissions (CC), the Service Provider shall pay all sums received in respect of commissions paid by Carriers in respect of Services purchased on behalf of the Authority (Paragraph 19 to this Schedule F - (*Pricing Mechanism*)) and;

10.3.6. Payments relating to Compensation Events (CE), as may be payable by the Service Provider from time to time pursuant to clause 24 (*Compensation Events*).

11. DAILY SERVICE PAYMENT

11. 1 The Daily Service Payment payable in respect of any day shall be calculated in accordance with the following formula:

DSP = PTCS - TR

Where:

DSP is the service payment for the day for which the formula is to be applied;

PTCs are the Pass-through costs attributable to the booking of Scheduled and Charter Flights; and

TR are Ticket Refunds received by the Service Provider from the Carriers in respect of tickets purchased and cancelled on behalf of the Authority.

12. CALCULATION OF TICKET REFUNDS

12.1. The Service Provider shall procure that all sums refunded by Carriers in respect of tickets purchased by the Service Provider on behalf of the Authority are paid to the Authority and in relation to all outstanding and refunded tickets the specified Management Information as set out in Annex B to Schedule D (*Service Specification*) is provided.

13. CALCULATION OF PASS THROUGH COSTS – SCHEDULE FLIGHTS (PTCs)

13.1 The Service Provider shall procure tickets on behalf of the Authority on a pass through, all inclusive basis.

13.2 The Service Provider shall be permitted to submit for reimbursement at the later of:

13.2.1 The day upon which the flight concluded; or

13.2.2 The day upon which the cost of the ticket became payable by the Service Provider to the Carrier, subject to providing to the Authority the information provided in the Daily Report as specified in Annex B to Schedule D (*Service Specification*).

14. CALCULATION OF PASS THROUGH COSTS – CHARTER FLIGHTS (PTCC)

14.1 The Service Provider shall procure the Services relating to the leasing and operation of charter flights on behalf of the Authority on a pass through all-inclusive basis as set out in the requirements of Schedule D (*Service Specification*). All costs relating to charter flights shall be pre-agreed by the Authority's Representative.

14.2 The Service Provider's stated prices for charter flights shall be presented on an open book basis and be inclusive of the following:

14.2.1 The provision of suitably qualified and trained cabin crew;

14.2.2 The provision of nutritious, varied and good quality meals of sufficient quantity for each journey taking into account any religious, ethnic, cultural including all festivals) and medical requirements as authorised by the Authority and appropriate provisions for the returning escorts and Authority staff on the homeward leg;

14.2.3 All aircraft operating costs including fuel, handling, airport landing fees and ground support;

14.2.4 Normal aviation insurance cover appropriate to the flight, requirements of which are given in Schedule A (*Insurance*); and

14.2.5 All other costs arising or being required in order to meet the requirements set out in Schedule D (*Service Specification*) in respect of

Charter Flights; or charged at cost including the following:

- Passenger taxes, APD charges (additional passenger liability premiums),
- Premiums for additional 'War Risk' insurance, to cover flights to 'War Risk' areas as defined by the Foreign and Commonwealth Office and pre-agreed with the Authority's Representative.

14.2.6 All charter flight broker fees.

14.3 The sum payable by the Authority to the Service Provider in respect of each charter flight shall be to the amount agreed with the Authority's Representative less any deductions as a result of Service Failures or non delivery of any part of the service.

14.4 The Service Provider shall be permitted to submit for reimbursement at the later of:

14.4.1 The day upon which the charter flight is concluded; or

14.4.2 The day upon which the cost of the charter flight becomes payable by the Service Provider to the Carrier, subject to providing to the Authority the information provided in the Daily Report as specified in Schedule D (*Service Specification*).

15. THE MONTHLY SERVICE PAYMENT (MSP)

15.1 The Service Payment payable in respect of any Contract Month shall be calculated in accordance with the following formula:

$$MSP = MSC_N - \sum SC_N + SIP + GSP - CC_N - CP$$

Where:

MSP is the Service Payment for the Contract Month for which the formula is to be applied;

MSC_N is the monthly Service Charge for the relevant Contract Month ($_N$) calculated in accordance with paragraph 16 of this Schedule F (*Payment Mechanism*);

$\sum SC_N$ is the sum of Service Credits accrued in respect of the relevant Contract Month in relation to Service Failures calculated in accordance with the provisions set out in paragraph 7 of this Schedule F (*Payment Mechanisms*);

SIP is the amount payable to the Service Provider in respect of Service Improvement Payments awarded in accordance with the provisions of Schedule O (*Service Improvement*) and as referred to in Paragraph 17 of this schedule;

GSP is the amount payable to the Service Provider in respect of Service Innovation Gain Share Payments awarded in accordance with the provisions of Schedule H (*Innovation and Partnership Agreement*) and as referred to in Paragraph 18 of this schedule;

CC_N is the amount received by the Service Provider in respect of Carrier Commissions received during the Contract Month ($_N$) and described in paragraph 19 of this schedule; and

CP is the amount payable in respect of Compensation Events as set out in paragraph 20 of this schedule.

15.2 In line with the provisions of the Contract, for the month in which the Commencement of Full Operations Date falls and for the last month of the Contract Term, a pro rata adjustment shall be made to the Monthly Service Charge to reflect the actual number of days the Services are supplied, including the date upon which Commencement of Full Operations Date falls (for the first month) and up to and including the last day of the contract term (for the last month).

15.3 Paragraph 9 of this Schedule F (*Payment Mechanism*) details the applicable indexation arrangements.

16. CALCULATION OF THE MONTHLY SERVICE CHARGE

16.1 The Monthly Service Charge shall be payable from the Commencement of Full Operations.

16.2 The Monthly Service Charge for each Month shall be calculated in accordance with the following formula:

$MSC_N = MSC_{PM} + ABEP$

MSC_N is the Monthly Service Charge for Month 'N';

MSC_{PM} is the Monthly Service Charge for Month 'N' per the Financial Pricing Model; and

ABEP is the price for the additional booking events over and above the Agreed Baseline plus 5%.

Paragraph 21 of this Schedule F refers to ABEP and will only be included in the MSC on occurrence on the terms set out in Paragraph 21.3.

17. CALCULATION OF SERVICE IMPROVEMENT PAYMENTS

17.1 Service Improvement Payments are only due where benefits have been received by the Authority in accordance with the provisions of Schedule O (*Service Improvement*) and with any specific business cases and/or contract change notices agreed by the Authority. For the avoidance of doubt, the Authority shall have the final decision in relation to the proportion of the benefits realised and payable to the Service Provider.

17.2 Service Improvement Payments shall be categorised as either:

17.2.1 Contract Service Improvement Payments (CSIP) arising from, for example, a reduction in the cost of mobilisation, a reduction in management fee cost or for obtaining improved deals with airlines; or

17.2.2 Continuous Improvement Payments (CIP), being other efficiencies not classified as CSIP.

17.3 The monthly Service Improvement Payment will be calculated as follows:

$SIP = CSIP_{MOB} + CSIP_{MSC} + CSIP_{PTCs} + CIP$

where:

SIP is the amount payable to the Service Provider in respect of Service Improvement Payments;

$CSIP_{mob}$ is the amount payable in respect of reductions in the cost of mobilisation to the Authority;

$CSIP_{MSC}$	is the amount payable in respect of reductions in the management fee;
$CSIP_{PTCs}$	is the amount payable in respect of savings made from improved airline deals; and
CIP	is the amount payable in respect of other efficiencies.

18. CALCULATION OF GAIN SHARE PAYMENTS

18.1 In the event that the Service Provider identifies, or is party to, an initiative or process that delivers a tangible benefit arising from Service Innovations as detailed in Schedule H (*Innovation and Partnership Agreement*), the Authority shall pay an amount agreed in accordance with the provisions of Schedule H (*Innovation and Partnership Agreement*). For the avoidance of doubt, the Authority shall have the final decision in relation to the proportion of the benefits realised and payable to the Service Provider.

18.2 Such payments shall only become due once benefits have been substantially realised and paid in accordance with the agreement reached between the parties for that service innovation, under Schedule H (*Innovation and Partnership Agreement*). All rights under this paragraph shall be lost on the expiry or early termination of the Contract.

19. CALCULATION OF CARRIER COMMISSIONS

19.1 The Service Provider shall pay all sums received in respect of commissions paid by Carriers in respect of Services purchased on behalf of the Authority. For the avoidance of doubt, this shall include but not be limited to those received in respect of both flights and accommodation.

19.2 Such payments shall be made to the Authority within the same Contract Month as they are received by the Service Provider.

19.3 Supporting Management Information for all commissions shall be provided in accordance with Annex B (Reporting Requirements) to Schedule D (*Service Specification*)**.**

20. CALCULATION OF COMPENSATION EVENTS

20.1 In accordance with Clause 24 (*Compensation Events*) the Service Provider may be liable for Compensation Payments relating to Compensation Events.

20.2 Any Compensation Payment payable to the Authority shall be made in the contract month immediately following the Contract Month in which the Compensation Event occurs, unless such sums are equal to or greater than 85% of the Monthly Service Charge, in which case such sum may be paid in tranches of equal size in up to three successive contract months until such time as the sum owed has been paid.

21. BOOKING EVENT VOLUMES

21.1 The Service Provider will be required to undertake a number of booking events during the month, for which the Authority will pay in accordance with the Financial Pricing Model. Booking events include:

21.1.1 A single "journey" by an individual regardless of the number of legs, stages, routes, carriers, transit points or stopovers. A single Journey may be:

a) Scheduled Flights: Transporting of an individual person from port of origin to final port of destination (i.e. one-way) , or

b) Scheduled Flights: Transporting of an individual person from port of origin to final port of destination and return. (i.e. two-way). For the avoidance of doubt a return journey for an individual shall count as one booking event, or

c) Charter Flights: Allocating a returnee to a charter flight

21.1.2 Arranging hotel or accommodation requirement for each individual person;

21.1.3 Cancellation of all aspects of a journey;

21.1.4 Cancellation of hotel or accommodation requirements.

21.2 Baseline booking event volumes shall be 89,700+/- 5% (85,200 – 94,200).

21.3 If, in any one month, the number of booking events transacted exceeds the upper bound of 94,200, then additional booking events over and above the upper bound of 94,200 shall be paid in accordance with the following formula:

ABEP = (CC/BBEV) x N

ABEP	is the Additional Booking Event Price;
CC	is the service Contract Cost as set out in Table 2 of Annex B.
BBEV	are the Baseline Booking Event Volumes, being 89,700; and
N	is the Number of booking events over and above the upper bound of 94,200.

ABEP will be included in the formula set out in paragraph 16.2 only in the months in which it occurs. For the avoidance of doubt, ABEP excludes all mobilisation related activities including IT and will only be included in the monthly invoice for the periods in which the upper bound of 94,200 is breached.

21.4 The provisions of paragraph 21.5 notwithstanding, if, in any one month, the number of journeys transacted falls below the lower bound of 85,200, then the Monthly Service Charge shall remain as set out in Table 2 of Annex B.

21.5 If journey volumes fall outside the agreed baseline (+/- 5%) for any initial period of two consecutive months, then the Authority and the Service Provider Service Provider may negotiate a revised baseline in respect of booking event volumes and agree to adjust the Monthly Service Charge accordingly. This revised baseline should be implemented at the close of the fourth consecutive month.

21.6 The additional booking event Price should be recalculated as and when paragraph 21.5 is enacted and in accordance with the formula set out in paragraph 21.3.

21.7 With reference to paragraph 21.5, booking events transacted over and above the upper bound of 94,200 shall continue to be paid at the additional booking event price throughout the four month period. This additional booking event payment will cease at the end of the period.

21.8 With reference to paragraph 21.5, should agreement not be reached, then both parties will seek resolution in accordance with Schedule J (*Dispute Resolution Procedure*).

21.9 With reference to paragraph 21.5, the agreement reached will be subject to the provisions of Schedule L (*Contract Change Procedure*).

21.10 Any major contract change significantly affecting the baseline booking event volumes is subject to the provisions of Schedule L (*Contract Change Procedure*).

22. UNAVAILABILITY DEDUCTION

22.1 In accordance with Part 2 of Schedule G (*Performance Evaluation and Unavailability of Service*), but without prejudice to the provisions set out in Clause 24 (*Compensation Events*), if any element of the Service is Unavailable during a day and is not used by the Authority after such Unavailability begins during that day, then the element will be Unavailable for that day and for each day (or part thereof) thereafter until it is permanently rectified. The Unavailability Service Credit shall be calculated as follows:

$$SC_U = \frac{ASCxUHx1.5}{(365x24)}$$

Where:

SC_U is the Service Credit redeemable by the Authority from the Service Provider in respect of an incident of Unavailability;

ASC_n is the Annual Service Charge for Contract Year 'n'.

UH is the number of hours over which the Unavailability exists.

23. APPLICATION OF UNAVAILABILITY SERVICE CREDITS

23.1 Service Credits relating to Unavailability shall be applied in accordance with Part 2 of Schedule G (*Performance Evaluation and Service Unavailability*).

24. PAYMENTS AT TERMINATION

24.1 Pursuant to Clause 31 (*Termination for Convenience*) the Authority shall make a payment to the Service Provider in accordance with Clause 34 (*Payment for Termination and Expiry*).

24.2 If, for whatever reason, there are outstanding refunds, commissions or any other amounts owed or outstanding to the Authority in respect of Services procured on behalf of the Authority at the date of the expiry of the Contract Term or Termination, and without prejudice to Clauses 28 (*Authority's Right on Termination*), Clause 34 (*Payment for Termination and Expiry*) and Clause 36 (*Arrangements On Termination and Expiry*), the Service Provider shall make a single Settling Payment to the Authority in accordance with the equation below:

SP = (TRA x RR) + (OCC) + (OP)

Where:

SP is the Settling Payment payable by the Service Provider in respect of outstanding monies due at the expiry of the Contract Term or date of earlier termination;

TRA is the Total Refundable Amount, which is the sum of all refundable elements from all outstanding refundable tickets;

RR is the Refund Ratio, which is the percentage of actual refund received against the stated refundable amount as measured throughout the Contract Term or up until the point at which the notice of termination has been issued (which in any case shall be no greater than 100%);

OCC is the Outstanding Carrier Commissions payable but not yet received in relation to commissions paid for Authority tickets; and

OP is Other Payments which may be in addition to those previously mentioned which may also be payable to the Authority in respect of Services provided or procured by the Service Provider including any other commissions or payments.

25. SERVICE PROVIDER INVOICES

25.1 The Service Provider Service Provider shall prepare and provide to the Authority for approval, a draft pro forma invoice within 10 Working Days of the Commencement Date which shall include, as a minimum, the details set out in this paragraph 25, together with such other information as the Authority may reasonably require. If the draft pro forma invoice is not approved by the Authority, then the Service Provider shall make such amendments as may be reasonably required by the Authority.

25.2 The Service Provider shall be entitled to raise an invoice in respect of any payment which falls payable to the Service Provider pursuant to the Agreement.

25.3 The Service Provider shall invoice the Authority separately in respect of:

25.3.1 Milestone Payments, on the latter of the achievement of the Milestone Achievement Certificate or the payment milestone event date for the relevant Milestone in Table 1 of Annex B to this Schedule;

25.3.2 Retention Payment on the achievement of the Milestone linked to the achievement of the Contract Performance Point;

25.3.3 Service Charges once triggered, as set out in Table 2 of Annex B to this Schedule, in arrears immediately following the end of the period to which the invoice applies; and

25.3.4 One-Off charges upon written approval from the Authority.

25.4 The Service Provider shall ensure that each invoice contains the following information:

25.4.1 the date of the invoice;

25.4.2 a unique invoice number;

25.4.3 the reference number of the purchase order or contract to which it relates;

25.4.4 VAT Registration Number;

25.4.5 the Service Period or other period(s) to which the relevant Charge(s) relate;

25.4.6 the methodology applied to calculate the Charges (e.g. Pricing Mechanism used); and

25.4.7 a description of the Services performed.

25.4.8 any payments due in respect of the achievement of a Milestone, including the Milestone payment reference and (where applicable)

Milestone Achievement Certificate reference number for each Milestone;

25.4.9 the total Charges gross and net of any applicable deductions and, separately, the amount of any disbursements properly chargeable to the Authority under the terms of the Agreement, and, separately, any VAT or other sales tax payable in respect of the same;

25.4.10 reference to any reports required by the Authority in respect of the Services to which the Charges detailed on the invoice relate (or in the case of reports issued by the Service Provider for validation by the Authority, then to any such reports as are validated by the Authority in respect of the Services);

25.4.11 a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries; and

25.4.12 the banking details for payment to the Service Provider via electronic transfer of funds (i.e. name and address of bank, sort code, account name and number).

25.5 Each invoice shall at all times be accompanied by sufficient information ("Supporting Documentation") to enable the Authority to reasonably assess whether the Charges detailed thereon are properly payable. Any such assessment by the Authority shall not be conclusive. The Service Provider undertakes to provide to the Authority any other documentation reasonably required by the Authority from time to time to substantiate an invoice.

25.6 The Service Provider shall submit all invoices and Supporting Documentation in such format as the Authority may specify from time to time to:

Shared Service Centre, PO Box 5015, Newport, Gwent NP20 9BB

with a copy sent via electronic mail to:

post-room-rescan@homeoffice.gsi.gov.uk

and a further copy (again including any Supporting Documentation) to such other person and at such place as the Authority may notify to the Service Provider from time to time.

25.7 For the avoidance of doubt, failure to provide the original invoice and the copies will result in late payment which shall not be subject to late payment charges.

25.8 All Service Provider invoices shall be expressed in pounds sterling.

25.9 The Authority shall only regard an invoice as valid if it complies with the provisions of this Paragraph. Where any invoice does not conform to the Authority's requirements set out in this paragraph 24, the Authority will return the disputed invoice to the Service Provider. The Service Provider shall promptly issue a replacement invoice which shall comply with the same.

25.10 The Service Provider shall submit invoices on a monthly and daily basis.

25.11 Daily invoices shall be submitted in respect of sums payable by the Authority in accordance with paragraph 11 to this Schedule.

25.12 Monthly invoices shall be submitted in respect of sums payable in accordance with paragraph 15 to this Schedule.

25.13 In addition to the specific requirements set out in relation to the daily and monthly invoices, the Service Provider clearly state:

25.13.1 The period for which the invoice applies;

25.13.2 Management Information and evidence in support of all costs and

credits;

25.13.3 VAT applicable;

25.13.4 Rolling 12-month account statement; and

25.13.5 Provide the Daily Report as specified in Schedule D (*Service Specification*).

25.14 The Authority shall validate and certify invoices within 15 working days of receipt of the invoice and the associated evidence.

25.15 The Authority shall have the right to dispute, in good faith, any amount specified in an invoice submitted by the Service Provider under the provisions of this Contract. Where the Authority exercises its right to dispute an invoice, it shall notify the Service Provider of the dispute, providing any supporting evidence, within 15 working days of receipt of the invoice. The Parties shall use all reasonable endeavours to resolve the dispute within 20 working days of the dispute arising.

25.16 All invoices shall be due for payment within 30 elapsed days after the successful validation of an invoice.

25.17 In the event of a disputed amount on a given notice the Service Provider shall submit a revised invoice, which shall be the balance of the original invoice, less the value of any disputed amount, as notified by the Authority. The revised invoice shall be treated as a fresh invoice and paid in accordance with this paragraph 24.

25.18 Where the Parties reach agreement on a disputed invoice, the Service Provider shall submit an invoice to the value of the agreed amount which was previously in dispute in accordance with this paragraph 24. This invoice shall be due for payment within 30 days of receipt by the Authority.

25.19 All payments will be made via the Bankers' Automated Clearance.

26. PAYMENT TERMS

26.6 Subject to the relevant provisions of this Schedule, the Authority shall make payment to the Service Provider within 30 days of receipt of a valid invoice by the Authority at its nominated address for invoices

26.7 Unless the Parties agree otherwise in writing, all Service Provider invoices shall be paid in sterling by electronic transfer of funds to the bank account that the Service Provider has specified on its invoice.

Annex A

REDACTED

Annex B

REDACTED

ANNEX C BOOKING EVENTS

1 Booking Event Baseline

1.1 The annual booking event baseline volume for this contract, as given in Clause 21.2 of this Schedule F (*Payment Mechanism*) shall be 89,700 +/- 5% (85,200 – 94,200).

1.2 This booking event baseline volume shall be fixed and managed in accordance with clause 21 of Schedule F *(Payment Mechanism).*

1.3 This value shall only be change during the life of the contract in accordance with the provisions of Clause 21.5 Schedule F (*Payment Mechanism).*

2 Booking Event Indicative Numbers by Type.

2. 1 Table 1 below shows an indicative booking event split by booking event type. This is indicative only and these values are non contractual, and the Authority does not warrant, nor intend to be bound by these figures.

2. 2 The contractual position is that combined booking event volumes shall be as stated in paragraph 1 above, and paragraph 21.2 of Schedule F (*Payment Mechanism*), and there shall be no distinction between the type of booking event for volume purposes. For the avoidance of doubt if the indicative volumes below for a particular booking event type are significantly exceeded, but there is a corresponding under usage of other booking event types so that the overall Booking Event Baseline is not exceed taking into account all booking events during the month, then no additional cost shall fall to the authority.

Table 1 – Indicative booking event volumes split by Type

Booking Event Type	Indicative Baseline Volume (by Type)
Scheduled Flight Journeys	51,500
Charter Returnee Allocation	4,900
Hotel Booking	3,400
Cancellations	29,900

ANNEX D MILESTONE ACHIEVEMENT CERTIFICATE

HOME OFFICE	
Document Title:	**Milestone Achievement Certificate (MAC)**
Milestone name:	
Milestone ID:	
Milestone type: (tick one)	☐ **Payment Milestone** ☐ **CPP** ☐ **Service Charge Milestone (Start/Stop)** ☐ **Non Financial/Key Critical**

PART 1 ***N.B.: Please print and sign two copies of this MAC.***

Title of Milestone	Baseline Date	Achieved Date
Executive Summary Commentary		
Overview of Milestone *(PM to complete)* **Assurance Details** *(PM to complete)* **Value of the milestone** *(Finance to complete)*		
Comments / Qualifications		
All – include any exceptions and caveats with justification		

Approvals			
Role	**Name**	**Signature**	**Date**
1) Approve assurance plan			
2) Approve assurance record			

3) Approve finance inputs	*Financial Director*		
4) Approve commercial alignment	*Commercial Lead*		
5) SRO approval			
Programme Commentary			
Any necessary commentary from the programme providing contextual information or additional data on any qualifications to the milestone that is for internal use only.			
Contract Finance Information			
Brief summary of the financial details			
Commercial Commentary			
Brief details of commercial considerations			
SRO Commentary			
A brief record of any challenges raised by the programme SRO that are specific to the contractual delivery of this milestone. Where necessary, a reference should be recorded to any supporting information/documentation.			

Part 2

Assurance Plan/record

RFC No.	RFC / CAN Title	CAN Approval Date	Deliverable Impacted	Delivery Description Submitted	Delivery Description Approved	Deliverable Submitted	Deliverable Approved Name and Date
RFC							
[unique RFC ref]	[name]	[date]	[unique RFC ref, name]	[date]	[date]	[date]	[name & date]
[unique RFC ref]	[name]	[date]	[unique RFC ref, name]	[date]	[date]	[date]	[name & date]